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in the name of the Turkish Group
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The Impact of Co-ownership of Intellectual Property Rights on their Exploitation

Discussion and Questions

I) Analysis of the current substantive law

1) The regulation of co-ownership may depend on the origin of co-ownership.

It may be considered that, in case the object of an intellectual right (esthetical, technical or commercial) is jointly created by two or more persons, the rules applicable to such a situation may be different from those applicable in the situation when the co-ownership results from the division of the same right among different persons as the consequence, for example, of heritage or a division of a company.

Also, there may be the situations where the co-ownership is imposed in fact by one party on the other in case of some technical creation (for example in case of the improvement or modification of the previous creations which not always may result in the independent right).

Therefore, the groups are invited to indicate if, in their national laws, the rules related to the co-ownership of IP Rights make any distinction in the applicable rules to the co-ownership of an IP Right in case the origin of the co-ownership rights is not voluntary but results from other situations, including the division of a right in case of a heritage.

In this context the Groups may also indicate if there are any legal definitions of co-ownership of the IP Rights adopted in their countries and what these definitions are.

Co-ownership shall be governed by an agreement among the parties. However, it is necessary to apply the relevant law in absence of such an agreement between the co-owners.

Co-ownership issue is regulated in Turkish IP legislation through direct or indirect references to the relevant articles of Turkish Civil Code No. 4721 (TCC). Therefore, in absence of an agreement between the co-owners, the provisions of Civil Code relating to co-ownership shall be applied.

TCC regulates in its Articles 688 to 703, two types of co-ownership, which are called “ownership in common” and “joint ownership”. Under joint ownership, more than one person own a materially undivided asset as a whole with determined shares. The shares of the co-owners can be separately used, transferred, pledged or attached. According to Article 690 of TCC each co-owner in joint ownership is allowed to take any ordinary action regarding the co-owned IP right on its own. However, article 691 requires majority of co-owners and shares for important actions. Additionally, extraordinary actions require unanimity of the co-owners under article 692.

Ownership in common is a type of ownership where several persons, by virtue of the law or specific agreements stipulated by the law, jointly own an asset under a partnership relation between them. In ownership in common, the right of each partner covers every asset falling under the partnership. Management or disposal of the jointly owned asset can in principle be realised through the unanimity of the partners. Ownership in common shall be terminated upon the transfer of the asset, the dissolution of the partnership or a transition to co-ownership.

Co-ownership of a patent

In absence of an agreement between the co-owners of a patent, the provisions of Civil Code relating to "joint ownership" shall be applied (Art. 85 of DL 551). Accordingly, as a general rule regardless of the origin of the ownership each co-owner may exercise his rights arising from the patent only with the consent of the other co-owners. However, the following exceptions apply:

– any co–owner may independently dispose his part, provided that the other co-owners are notified especially with regard to their right preemption right,

– any co–owner may independently exploit the invention, provided that the other co-owners are notified,

– any co–owner is permitted to take any action against the violation of the patent rights,

– any co–owner may initiate a civil or criminal action against third parties in case of an infringement of patent rights, provided that the other co-owners are notified in order to provide their participation to the case.

Co-ownership of a design

Designer (and his successors) is the owner of the design right in Turkish design law (Article 13 of Decree Law No: 554, hereafter "DL 554"). Co-ownership is available and regulated as "joint ownership".

Differentiation in origin of co-ownership does not constitute any difference regarding the rules applied to co-ownership. Rights of co-owners of a design are stipulated in Article 13 of DL 554 without considering the origin of co-ownership.

Co-ownership of a trademark

The relevant rules of the Civil Code are also applied for the co-ownership on trademarks, in absence of an agreement among the parties.

As mentioned in Articles 688 to 703 of the Civil Code, the Code makes distinction in the applicable rules to the co-ownership of the right on the trademarks in case the origin of the co-ownership is not voluntary but results from other situations, including the division of a right in case of a heritage which is considered as being circumstance of the ownership in common. Hence, according to the origin of the co-ownership right, the co-owned rights are subject to either ownership in common or joint ownership.

Co-ownership of a copyright

According to the Law No. 5846 on Intellectual and Artistic Works (**Copyright Law**) the applicable rules to the co-ownership of the copyright differs in ownership in common or joint ownership. Legal definitions of co-ownership of copyright are as follow:

Multiple Authors: According to Article 9, if a work created jointly by more than one person can be divided into parts, each person shall be deemed the owner of the part he created.

Union of Authors: According to Article 10, if a work created by the participation of more than one person constitutes an indivisible whole, the author of the work is the union of the persons who created it.

Joint ownership rules are applied for multiple authors while union of authors is subject to ownership in common.

2) A large debate, during the Singapore ExCo, took place with regard to the notion of the exploitation of an IP right.

More specifically, the groups were highly divided on the issue of outsourcing or subcontracting the exploitation of an IP right.

This question, particularly important in case of patents, relates particularly to the problem of subcontracting when a co-owner of the patent who, in principle, and at least according to the position expressed by AIPPI in its 2007 Singapore Resolution, has the personal right to exploit his own part of the patent, specifically by manufacturing and selling the goods or processes covered by the patent, needs to subcontract partially or totally the manufacturing of the product covered by the patent.

No common position could be achieved by the Singapore ExCo in 2007 on the question if the right to exploit the patent should also cover the right to subcontract, specifically the manufacturing of all or part of the invention being the subject matter of the patent.

Therefore, the groups are invited to present the solutions of their national laws on this specific point.

According to Article 85 of the **Patent** DL 551, each co-owner has a right to exploit. However, the exploitation of the patent right does not cover the right to subcontract without the consent of all co-owners; since a licence, to a third party, to work the invention shall be granted upon decision made by all right holders jointly (Article 85 Patent DL 551). Moreover according to the Article 88 of Patent DL 551 it is also stated that "Unless the agreement includes a provision to the contrary, holders of contractual licenses may not transfer their rights conferred by a license to other parties nor grant sub-licenses"

In **design** law, as long as notifying the others, each of the co-owners is allowed to use and/or to sub-contract the design on its own. The co-owner who intends to use the co-owned design only needs to inform the co-owners of his individual use and/or subcontracting, but does not need to obtain their permission. (Article 13 of DL 554).

In **trademark** law, regarding the sub-contracting or out-sourcing of a co-owned trademark, Turkish Law does not provide any specific rules and therefore the above-mentioned articles of the Civil Code are applied to trademarks.

In **copyright** law, in case joint ownership is concerned each of the co-owners is allowed to assign the whole or only part of his share to a third party without getting permission from the others.

As to the granting licence, the provisions on usufructuary leases shall apply to non-exclusive licenses and those on usufruct shall apply to exclusive licenses. Hence, non-exclusive licenses may be granted by the majority of the co-owners and shares, where exclusive licenses may be granted by the unanimity of the joint owners.

In case ownership in common is concerned the assignment or license may only be granted with the consent of all co-owners. The Copyright Law makes a further distinction where the acquisition of copyright is original or derivative.

Original Acquisition: According to Article 48 of the Copyright Law, the author or his heirs may transfer to others the economic rights granted them by law, unrestricted or restricted as regards duration, place or scope, with or without consideration. The authority only to exercise the economic rights may also be granted to another person (license). Hence, the right to exploit the copyright also covers the right to subcontract.

Derivative Acquisition: According to the Article 49 of the Copyright Law, a person who has acquired an economic right or a license to exercise such right from the author or his heirs may transfer such right or license to another person only with the written consent of the author or

his heirs. Hence, the right to exploit the copyright does not cover the right to subcontract in the absence of the written consent of the author or his heirs.

3) The working guidelines established for the Singapore ExCo contained also the question related to the possibility of the co-owner of an IP right to licence this right to third parties.

No distinction was, however, made in this context between a non-exclusive and an exclusive licence.

No differentiation was also made on the number of licences which could be given by one co-owner in case the non-exclusive licence would be permitted by the national law.

And if AIPPI adopted a resolution on the conditions of granting the licence, it also appeared during the discussion at the ExCo that some different or more precise solutions could have been obtained if the Working Committee had made a distinction between the nature of the licence.

Therefore, in order to improve the work of the ExCo, the groups are invited to specify how the differences in the nature of licenses (non-exclusive or exclusive) influence the solution of their national laws in respect of the right to grant the licence by a co-owner of an IP Right.

In **patent** Law, license may only be granted with the consent of all co-owners. However, for reasons of equity, in consideration of particular circumstances, the court may decide that one of the parties alone should be authorized to grant such license. (DL 551, Art. 84)

In addition, the co-owners are entitled to grant both exclusive and non-exclusive licenses as there are not any distinctions in the legislation between the exclusive and non-exclusive licenses in terms of their results concerning co-ownership.

In **design** law, type of the license does not cause any difference in terms of co-ownership. Same rules are applied for exclusive and/or non-exclusive licenses on co-owned design shares.

Unanimous approval of the co-owners is required to grant a license on the design rights. Under an unanimous approval, the co-owners can build an exclusive and/or non-exclusive license on the design. Exceptionally, one of the co-owners could be entitled by the court to grant an exclusive and/or non-exclusive license on the design without getting approval from the other co-owners (Article 13 of DL 554).

In **trademark** law, the right to grant the license by a co-owner or joint owner is not influenced by the differences of the nature of licenses. On the other hand, the above mentioned differences on the nature of co-ownership influence the right to grant the license by a co-owner in common or joint owner.

Under joint ownership, licensing of a trademark is to be effected by the majority of the co-owners and shares, whereas under ownership in common, the licensing of a jointly owned trademark is to be effected by the unanimity of the joint owners.

According to Article 56 of the **Copyright** Law, the provisions on usufructuary leases shall apply to non-exclusive licenses and those on usufruct shall apply to exclusive licenses.

Hence, under joint ownership, non-exclusive licenses may be granted by the majority of the co-owners and shares, where exclusive licenses may be granted by the unanimity of the joint owners.

4) One of the most difficult questions which appeared during the discussion at the Singapore ExCo was the possibility to transfer or assign a co-owned share of an IP right.

And the problem seemed so complicated that finally the Working Committee decided to withdraw its proposal for a resolution on this point.

In fact, the discussion showed that the solutions concerning the right to transfer or assign may vary since there is a huge variety of situations related to the transfers of the co-owned share.

Notably, one could imagine that the transfer is operated on the whole share of the co-owned IP right, but it also could be simply an assignment of a part of the co-owned share, creating therefore an additional co-owner of an IP right.

And such transfer of a part of a share of an IP Right could be used to overcome the limitation which could exist on the granting of licences by the co-owners.

The Groups are therefore invited to precise their position on the question of the transfer or assignment of a share of the co-owned IP Right, taking into the consideration the different situations which may occur (the transfer of the whole share of a co-owned IP Right or the transfer only of the part of the share of the co-owned IP Right).

According to the Article 85 of the Patent Decree Law, the assignment of the total shares is possible as well as the partial assignment of the co-owned shares.

In **design** law, each of the co-owners is allowed to assign their total share to a third party without getting permission from the other co-owners. However, the co-owner who intends to assign his shares has to apply to other co-owners first and to remind that they can use their pre-emptive right on the design before third parties.

Partial assignment of the co-owned shares by a co-owner is not possible in Turkish design law. (Article 40 of DL 554).

In **trademark** law, transfer of a share of a co-owned trademark is to be determined pursuant to the above mentioned Articles of the Turkish Civil Code.

Under joint ownership, the shares of the co-owners can be separately transferred, pledged or attached. Under ownership in common, partial transfer of the co-owned shares is not possible.

In **copyright** law, either the transfer or assignment of the whole share of a co-owned copyright or only part of the share of the co-owned copyright is possible, provided that the relevant provisions applied to joint ownership, ownership in common and derivative acquisition mentioned hereabove are fulfilled.

5) The exercise of an IP right co-owned by two or more co-owners each of whom has in principle the right to exploit the co-owned right, may also raise difficulties from the point of view of competition rules.

The co-owned IP Rights may give the co-owners the dominant position on the market and their agreement on the co-owned IP Rights (when for example it prohibits the licensing) may also be seen as eliminating the competitors from the market.

The groups are therefore invited to explain if their national laws had to treat such situations and what were the solutions adopted in those cases.

According to the Turkish Competition Act, the abuse of the dominant position is prohibited. The measures of the dominant position can be listed as market share, barriers to entry, vertical integration, technological advantage, non-used capacity and the existence of intellectual property rights. Accordingly, in cases where substitution is not effected, intellectual property rights become very important since they may be used as tools of dominance. By this way an initiative would easily access the distribution channels, open branches, give franchises, establish sub partnerships, enter or not into license agreements.

At this stage the compulsory use of the IP right, specifically **patent** becomes very important. If the (right holder) patentee does not use the invention, which is subject to a patent, then he

shall announce by an application to the Institute that he is willing to grant licences provided that the conditions are met. Otherwise, not using the invention and not granting licenses may be considered as an abuse. Moreover, if the patent right holder (patentee) acts against the general provisions of unfair competition while using the patent, he may be ordered to enter into a licence agreement through a judicial decision (DL 551, Art.93).

That said we have to express that the violation of competition in respect of IP rights in Turkey occurs in very exceptional circumstances.

6) *The groups are invited to investigate once more the question of the applicable law that could be used to govern the co-ownership of various rights coexisting in different countries.*

This point was left for further study by the paragraph 9 of the resolution adopted in Singapore.

And more specifically the Groups are requested to indicate if their national laws accept that the co-ownership of an IP Right, even if there is no contractual agreement between the co-owners, may be ruled by the national law of the country which presents the closest connections with the IP Right.

If this is the case, what in the opinion of the Groups would then be the elements to take into the consideration to assess this connection?

The Groups of the EU Countries are in this context asked to indicate if they consider that Council Regulation of June 17, 2008 (No 593/2008), so called "Rome I" may be applicable to the Co-Ownership agreements.

It is accepted that, if there is a contractual agreement between the co-owners and the parties do not determine applicable law, the co-ownership of an IP Right may be ruled by the national law of the country, which presents the closest connections with the IP Right. (Article 28 of Law on the International Private and Civil Procedure).

The country that presents the closest connection with the IP rights is determined in following order:

- The country where the main place of business of the party, assigning or licensing the IP right is located.
- In absence of the first option, the country where the party, assigning or licensing the IP right resides.
- In case there is an employee-employer relation between the parties, the country of which law is applied to that relation.
- In case of necessity, the country which presents closer connections with the IP Right.

Otherwise, according to Article 23 of International Private and Civil Procedure Law, the intellectual property rights are subject to the law of the country where the protection is requested.

7) *Finally, the groups are also invited to present all other issues which appear to be relevant to the question and which were not discussed neither in these working guidelines, nor in the previous ones for the 2007 ExCo in Singapore.*

The letter of consent issue should also be discussed in the resolution in order to determine the conditions of granting letter of consent on a co-owned IP right with regard to prosecution matters.

II) Proposal for the future harmonisation

The groups are invited to present any recommendation that can be followed in the view of the further harmonisation of national laws in the context of co-ownership, specifically on the points raised by the working guidelines above in relation to the current state of their national laws.

It is required to regulate the general principles through an international agreement in respect of international harmonization of IP laws with regard to the co-ownership. The resolution will be reached during EXCO could be submitted to the World Trade Organization as a guide for international harmonisation of co-ownership in IP Laws.

Regarding the national harmonization general provisions of Civil Code should be taken as reference in IP Laws. Given that essential reference is being made to general provisions of Civil Code especially to the provisions regulating joint co-ownership and ownership in common, a harmonisation of the rules to be applied the joint co-ownership and ownership in common may be helpful in order to provide specific and clear rules with regard to the exploitation, transfer or license of in each IP Law.

Summary

Under Turkish Law, there are explicit provisions in the patent, design and copyright laws with regard to co-ownership; however, in trademark law the articles refer to the relevant Civil Code provisions, whereas patent, design and copyright laws refer to the general principles in case there are not any specific provisions. According to Turkish Civil Code, co-ownership is classified either as joint ownership in which each co-owner owns a share of the right or as ownership in common in which each owner has a right of ownership in the whole property. The rules on co-ownership of intellectual property rights are applicable, in the absence of an agreement between parties.

Regarding the issue of outsourcing or subcontracting the exploitation of an IP right, there are specific provisions in Patent and Design Decree Laws as in Patent Decree Law the consent of all co-owners is required whereas in the Design Decree Law the co-owners are only required to inform the others.

The nature of licenses has no different effects in terms of their results concerning co-ownership, except for the copyright law.

In all IP rights, the assignment of the total shares is possible as well as the partial assignment of the co-owned shares, except for design rights.

The abuse of the dominant position may be subject to the competition law in terms of IP Rights as well.

The national law of the country that presents the closest connection is applicable if there is a contractual agreement between the co-owners and applicable law is not determined by the parties.

Résumé

Dans le Droit Turc, des dispositions explicites concernant la co-propriété existent dans le droit sur brevets, sur les dessins et modéles et sur le de droit d'auteur; cependant, dans le droit sur les marques, les articles renvoient aux dispositions correspondantes du Code Civil tandis que le droit de brevet, de dessin/modèle et de droit d'auteur renvoient aux principles généraux dans la mesure où il n'existe pas de dispositions spécifiques. D'après le Code Civil Turc, la co-propriété est classée comme propriété indivise où chaque co-propriétaire a une part de droit ou comme propriété en

commune où chaque propriétaire a le droit de propriété sur la totalité de la propriété. Les règles sur la co-propriété des droits intellectuels sont applicable dans l'absence d'un accord.

Concernant la question d'externalisation ou de sous-traitance d'un droit de la Propriété Intellectuelle, dispositions spécifiques existent dans les Décrets-Lois sur les Brevets sur les Dessins et modéles telles que dans le Décret-Loi sur les Brevets le consentement de tous les co-propriétaires est requis tandis que dans le Décret-Loi sur les Dessins et modéles les co-propriétaires sont seulement demandés d'informer les autres.

A part pour le droit d'auteur, il n'existe pas de différences dans la nature de la licence en terme de résultat concernant la co-propriété.

Dans tous les droits de Propriété Intellectuelle, le transfert de la totalité des parts et le transfert partiel des parts co-possédés sont possibles.

L'abus de la position dominante peut également être l'objet du Droit de la Concurrance en terme des droits de Propriété Intellectuelle.

Le droit national du pays qui présente le rattachement le plus fort est applicable dans le cas où un accord n'existe pas entre les co-propriétaires et le droit applicable n'est pas déterminé par les parties.

Zusammenfassung

Nach türkischem Recht gibt es im Patent-, Geschmacksmustergesetz und im Gesetz über Urheberrecht eindeutige Bestimmungen im Hinblick auf Miteigentümerschaft; die Artikel des Markengesetzes berufen sich jedoch auf die entsprechende Bestimmungen des bürgerlichen Gesetzbuches, wobei das Patent-, Geschmacksmustergesetz sowie das Gesetzt über Urheberrecht, solange es keine bensondere Bestimmungen gibt, sich auf allgemeine Grundsätze bezieht. Gemäss dem türkischen bürgerlichen Gesetzbuch ist die Miteigentümerschaft sowohl als gemeinsamer Besitz, wobei jeder der Miteigentümer einen Anteil des Rechts besitzt als auch aber als eine gemeinsame Eigentümerschaft klassifiziert, wobei jeder von Miteigentümern einen Anspruch auf das gesamte Eigentum hat. In Abwesenheit eines Vertrages sind die Regelungen des geistigen Eigentumsrechts bezüglich der Miteigentümerschaft anzuwenden.

Bezüglich der Ausgliederung oder der Untervergabe der Verwertung von einem IP-Recht sind in den Rechtsverordnungen über Patent und Geschmacksmuster besondere Bestimmungen vorhanden; während in der Rechtsverordnung über Patente die Bewilligung aller Miteigentümer nötig ist, werden in der Rechtsverordnung über Muster die Miteigentümer lediglich gefordert, die anderen zu informieren.

Es gibt im Wesen der Genehmigungen, was ihre Folgen bezüglich der Miteigentümerschaft angeht, keine Unterschiede, allerdings abgesehen von dem Gesetz über Urheberrecht.

Abtretung der gesamten Anteile sowie die teilweise Abtretung der Miteigentumsanteile sind in allen IP-Rechten möglich.

Missbrauch durch beherrschende Stellung kann hinsichtlich der IP-Rechte auch dem Wettbewerbsrecht unterliegen.

Falls eine vertragliche Vereinbarung zwischen den Miteigentümern vorhanden ist, dann ist das nationale Recht des entsprechenden Landes anzuwenden und das anzuwendende Recht wird nicht durch die Parteien bestimmt.